

TESTIMONY PRESENTED TO THE APPROPRIATIONS COMMITTEE
March 31, 2011

Benjamin Barnes
Secretary
Office of Policy and Management

Thank you for the opportunity to comment on several of the bills before you today.

S.B. No. 183 -- AN ACT CREATING A SEPARATE NONLAPSING VACCINE AND ANTIBIOTIC PURCHASE ACCOUNT WITHIN THE GENERAL FUND.

OPM opposes movement of currently budgeted accounts to separate, off-budget accounts. Currently, the amounts budgeted in the DPH vaccine account are part of the General Fund and are therefore counted toward the constitutional and statutory spending cap. The vaccine account is supported by assessments on insurers, so there is a dollar-for-dollar revenue source for any proposed appropriation. However, under this proposal the revenue would be put into a separate non-lapsing account which would result in a significant revenue loss to the General Fund (\$9.0 million) while keeping the appropriation.

On occasions in the past, parties have proposed expanding the number and types of vaccines that would be paid for by the DPH immunizations account, arguing that the expansion would be paid for through larger assessments on insurers. Some proposed expansions, however, have not gone forward in whole or in part because of expenditure cap limitations. By moving the immunization account "off-budget" there would be several potential consequences:

- a.) loss of budgetary oversight and control (whatever is on-budget is visible, subject to review and oversight, etc.);
- b.) increased costs to insurers as the number and types of vaccines supported by the fund expand due to the lack of a "braking mechanism" played by the spending cap; and
- c.) expansion of the number and types of vaccines supported by the account, which are now prioritized by DPH and the medical community to include those that give us the biggest health care "bang for the buck".

Lastly, this bill would have OPM making the actual expenditures from the new non-lapsing account even though DPH has the expertise, knowledge and resources for the actual distribution of the vaccines. DPH has a federal grant for distribution costs and is also receiving direct assistance from the federal government (actual vaccines), and should continue to play that role.

H.B. No. -- 6520 AN ACT CONCERNING RESULTS-BASED ACCOUNTABILITY.

OPM opposes specifying in statute the programs that should be subject to Results Based Accountability (RBA).

- RBA is a registered trademark and is not appropriate for state statutes.
- The General Assembly has not provided agencies with any resources to comply with the reporting requirements imposed by RBA, so the RBA requirement amounts to an unfunded mandate on state agencies.

- While RBA is currently embraced by the legislature as an approach to program review and analysis, it is unwise to specifically require an RBA approach in statute at the expense of other methods that may yield equally useful information for decision makers. The administration is supportive of data-driven decision making, but there are many methods that could effectively be employed in addition to or in lieu of RBA.
- Any determination of which programs should be subject to RBA should be the product of discussion between, and agreement by, the administration and General Assembly.

This bill seeks to require the Office of Workforce Competitiveness (OWC) to review the Workforce Investment Boards (WIBs) in a Results Based Accountability framework. Governor Malloy's proposed budget would merge OWC with DECD, so if this bill moves forward this reference should be corrected to reflect said proposal.

We recommend that DSS' biannual Nurturing Families Network report be combined into the annual Children's Trust Fund (CTF) report which is required under Section 17b-751(c) in order to streamline reporting processes. This reduces the number of required reports from the CTF from three reports per year to one annual report. This would make the CTF reporting functions more efficient and less redundant, while still incorporating the RBA framework.

H.B. No. 6595 -- AN ACT CONCERNING THE COMMISSION ON HUMAN RIGHTS AND OPPORTUNITIES

OPM supports this bill, as it proposes technical changes that enable the statutes regulating the Commission on Human Rights and Opportunities to conform to current practice. This proposal also makes necessary changes to case processing in order to streamline agency functions and reduce costs.

H.B. No. 6519 -- AN ACT CONCERNING MEDICAID SAVINGS

OPM opposes this bill. HB 6519 requires DSS, in consultation with DMHAS, DDS and DCF, to (1) study the state's Medicaid program, (2) identify any means by which the state can achieve savings in Medicaid, and (3) summarize the results of the study in a report to the General Assembly by November 15, 2011.

Given the current fiscal climate, we understand the need to achieve savings wherever possible, particularly in Medicaid which represents such a large portion of the state budget. The language in the bill, however, is overly broad. **Requiring DSS to "identify any means by which the state may achieve savings," would divert resources that could be better used to implement the reductions that will ultimately be approved for the upcoming biennium.** Each year, DSS is responsible for submitting reduction options, which provide an indication of areas for potential savings. In addition, there have been a host of reductions proposed by various administrations over the years that have not been accepted by the General Assembly. Requiring DSS to identify every possible Medicaid reduction, would require extensive resources without a clear benefit. Program benefits such as pharmacy are considered optional services under federal Medicaid rules, and yet the likelihood that either the Administration or the General Assembly would accept the elimination of pharmacy coverage is nil. To divert precious resources to yet another study is not recommended and thus we oppose this bill.

H.B. No. 6518 -- AN ACT ESTABLISHING AN ADMINISTRATIVE SERVICES ORGANIZATION FOR THE MEDICAID PROGRAM

OPM opposes HB 6518, which requires DSS, in consultation with DMHAS, DDS and DCF, to (1) study the state's Medicaid program to determine the feasibility and best means to convert from

managed care to a self-insured system administered by an administrative services organization (ASO), and (2) summarize the results of the study in a report to the General Assembly by November 15, 2011.

This bill creates another layer of study, consulting and reporting that is superfluous and unnecessary. Last session, the legislature approved language that gave the department flexibility to move forward with an ASO arrangement. There is no need for further study. As provided for under current statute, the Governor has directed DSS to transition Medicaid to a self-insured ASO model by January 1, 2012. This restructuring will realize significant savings, which is included in Governor Malloy's budget. In total, when fully annualized in FY 2013, the conversion to an ASO is expected to save \$29.5 million under HUSKY and \$56.6 million under fee-for-service. These savings are based on a combination of: (1) a more cost-effective and efficient administrative structure than the existing structure under managed care; and (2) medical efficiencies as a result of moving from the current unmanaged fee-for-service environment for aged, blind and disabled clients both in the community and nursing homes, as well as low-income adults under LIA. DSS has begun to move forward with the implementation of an ASO model and expects to issue a Request for Proposals by March 31, 2011. Any delay in the procurement, planning and implementation of this initiative will delay improvements in quality and outcomes and defer the projected savings contained in the Governor's budget. DSS is actively engaging the General Assembly's Medicaid Care Management Oversight Council and its many subcommittees in the planning and roll out of the ASO, and will be seeking input from provider and client stakeholders. *Given the complexity of the tasks ahead and the tight timeframe required to meet an implementation date of January 1, 2012, we oppose this bill as it will divert precious resources away from the important tasks that lie ahead.*

H.B. No. 6515 -- AN ACT CONCERNING JOB CREATION AND HABITAT RESTORATION

OPM opposes establishment of separate, non-lapsing accounts. Keeping funds "on budget," rather than in "off budget" accounts makes budget and financial transactions more transparent and accountable to the Executive and Legislative branches. Although there are instances when such an account may be required (i.e., for donations), OPM generally does not support establishment of these accounts.

S.B. No. 1126 -- AN ACT CONCERNING FEDERAL SANCTIONS

This bill would require state agencies to inform the General Assembly when federal sanctions are imposed or "likely to be imposed". Requiring reports from agencies where sanctions or fines have been imposed is a reasonable expectation, but we oppose requiring such reporting when sanctions or fines "are likely to be imposed." There may be administrative efforts and avenues that could be pursued to alter any proposed sanctions or fines prior to their imposition. For instance, there may be an appeal or review process by the federal government prior to imposing a sanction. It would be premature for an agency to report that a sanction is "likely" when there may be options to reduce, alter, or eliminate the sanction.

Further, a five-day timeframe for setting forth "the course of action the agency head proposes to mitigate or to eliminate" the sanction or fine is unworkable, as the issues are likely to be highly complex and involve significant policy and budgetary decisions that will require additional time. If this bill were to move forward, we would recommend elimination of the requirement to report on "likely" sanctions or fines in lieu of reporting only on those areas where a sanction or fine has actually been imposed. We would further recommend a more extended time period for reporting on proposed corrective action—at minimum thirty days and preferably 60-90 days.

Once again, thank you for the opportunity to comment and for consideration of our views on these bills. Please contact my office if you have any questions or concerns.